

Identification of Constraints to Implementation of Entrepreneurship Digitalization Training: The Case of Batik SMEs In Indonesia

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Abstract: The digital world in the creative industry has provided new opportunities for entrepreneurs to utilize and exploit products and services in a more transparent and widespread manner. Products and services can grow exponentially and be offered to all users and communities throughout the world without time and space limitations. Creative SMEs, especially batik SMEs, are currently required to keep abreast of technological developments, especially digitalization. They must be able to take advantage of digital transformation in managing their business. One effort that can be made is through digital entrepreneurship training. It's just that they are still faced with several obstacles, including digital skills, digital knowledge, management commitment, and government support. Even though batik SMEs adhere to the basic principles of digital entrepreneurship, these four aspects are very important to improving the sustainable performance of SMEs. This research uses a qualitative approach using participants from batik SME owners and managers, the government, and customers of natural color batik SME in Ciwaringin Cirebon, West Java, Indonesia. Validity and reliability were carried out using a triangulation approach with three parties (SMEs, government, and customers). In increasing the success of digital entrepreneurship, fundamental changes must be prioritized: digital knowledge, digital skills, management commitment, and government support. These four aspects will make a significant contribution to improving sustainable SME performance. Apart from that, batik SMEs must play an active role in participating in digital training and connect actively and proactively with people who do not understand digital.

Keywords: digital training, digital skills, digital knowledge, management commitment and government support

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Introduction

Digital technology has brought a fundamental change in the business world (Steininger, 2019; Fachrunnisa et al. 2020). Technological changes that are growing rapidly are increasingly important to be utilized by all business people, both on a large, medium, and small industrial scale. Post-Covid-19, digital technology has been able to change the mindset, culture, and mindset of business managers to transform traditional patterns into more modern digital-based ones. (Elia et al. 2020; Fachrunnisa et al. 2020; Steininger, 2019), including creative MSME managers in Indonesia. The presence of digital technology no longer limits space, movement, distance, or time, even though business locations are located anywhere, including in rural areas. Something impossible will happen because people can communicate anywhere and to anyone.

Toffler's prediction is now proven to have occurred because the creative economy wave has grown very rapidly all over the world. Through UN General Resolution No. 74/198, the UN has designated 2021 as the international year of the creative economy. In Indonesia itself, the creative industry has grown rapidly and can make a significant contribution to the growth of the national economy. The development of the creative industry in Indonesia is even more rampant with the emergence of various creative and innovative ideas from all business people. This is because in Indonesia itself, the creative industry focuses more on producing products and services whose business processes rely on knowledge, expertise, and creative and innovative talents that are expected to have high marketability and competitiveness. In Indonesia, the creative industry is currently managed by the Indonesian Ministry of Tourism and Creative Economy.

There are currently more than 8.2 million creative businesses in Indonesia, dominated by culinary, fashion, and craft businesses. In addition, there are four sub-sectors of the creative economy with the fastest growth, namely film, animation, video, performing arts, and visual communication design. The rapid growth in this sector is supported by the higher adoption of digital technology in society (Coordinating Ministry for Economic Affairs, RI, accesses September 1, 2023). Cirebon Regency has a very potential creative industry to be developed. Besides having a very strategic geographical location because it is located on the crossing of goods and services through the north coast (pantura), Cirebon Regency also has the potential for creative industries that are indeed worth developing.. Wartoyo & Haida (2020) conducted research in the city of Cirebon by mapping through surveys with a qualitative approach. The results explain that the 15% fashion economy has good opportunities and priorities to be developed in the future so that it can be used as a superior subsector for the city of Cirebon. The hope is that in the future, it can be one of the sectors that boosts the local, national, and even global economies. One of the most famous creative industry products in Cirebon is batik. One of the known batik centers is natural color batik, produced by batik makers in the Ciwaringin area. (Arni & Ciptandi, 2021).The artisans who are members of the "Koperasi Serba Usaha Anugerah Batik" association have a very strong commitment to using natural dyes produced from leaves and roots. "Koperasi Serba Usaha Anugerah Batik" has a large membership and shares the same commitment to producing hand-dyed batik. On the other hand, the existence of synthetic-colored batik is also an alternative for buyers because it offers cheaper prices and brighter

colors that are sometimes more attractive. Nevertheless, the manager of the natural-color batik SMEs is still surviving. But unfortunately, it is not supported by promotion and strong digital entrepreneurship, so it is feared that it will gradually lose to competitors. whereas the current digital transformation has become a new trend setter for all levels, including managing businesses in Indonesia. Conditions in the Ciwaringin Batik Association still require supporting factors, including digital knowledge, digital skills, management commitment, and government support. The artisans who are members of the "Koperasi Serba Usaha Anugerah Batik" association have a very strong commitment to using natural dyes produced from leaves and roots. "Koperasi Serba Usaha Anugerah Batik" has a large membership and shares the same commitment to producing hand-dyed batik. On the other hand, the existence of synthetic-colored batik is also an alternative for buyers because it offers cheaper prices and brighter colors that are sometimes more attractive. Nevertheless, the manager of the natural-color batik SMEs is still surviving. But unfortunately, it is not supported by promotion and strong digital entrepreneurship, so it is feared that it will gradually lose to competitors. whereas the current digital transformation has become a new trend setter for all levels, including managing businesses in Indonesia. Conditions in the Ciwaringin Batik Association still require supporting factors, including digital knowledge, digital skills, management commitment, and government support. (Fachrunnisa et al. 2020; Ghezzi & Cavallo, 2020; Fossen & Sorgner, 2019; Geissinger et al., 2019; Steininger, 2019). All of them if running in configuration are expected to improve the performance of Ciwaringin batik SMEs in a sustainable manner.

Literature Review

Digital Technology Adoption

Online media has been widely utilized by SMEs in Indonesia, although not all of them use it. They have generally used email, Twitter, WhatsApp, Instagram (IG), and Facebook as their media. They usually open online stores to offer their products, although sometimes they still use the conventional way of selling their products offline. Batik SMEs in Ciwaringin need to be innovative because they need to have the ability to express creative ideas and actions.. (Rogers, 2003). When making a decision to adopt an innovation, a person will be faced with 3 decisions; voluntary decisions, authority decisions, and collective decisions. (Rogers, 2003). Rogers (2003) said that innovation Adoption decisions take place through five stages: knowledge, persuasion, decision, implementation, and confirmation. The knowledge stage is the introduction stage, where someone can be introduced to the existence of innovation so that they are increasingly aware of its importance. This is the first stage of the introduction of adoption. The second stage is the persuasion stage, where a person begins to be persuaded to have an attitude towards innovation. Adopters are grouped according to the speed of innovation: relative advantage, compatibility, complexity, trialability, and observability. The third stage is a stage where someone can make a decision to accept or even reject innovation. Furthermore, the fourth stage is the implementation stage. Someone starts implementing innovations and can evaluate the innovations that have been implemented. The last stage is confirmation, where someone confirms it to a trusted person to strengthen decisions in implementation. At this stage, the adopter may not continue if it is not in accordance with the evaluation results. The consideration is that the adopter has evaluated the functional benefits, which are

reinforced by references from people trusted by the adopter.

Digital technology can be widely useful when MSME players can optimize their digital potential and capabilities. Unfortunately, they are faced with limited resources, both human and other. In fact, in marketing their products and services, they are in dire need of it, especially now that the promotion war in online media is very intense. Today's consumers also generally prefer convenience and speed in transactions. They currently have cellphones or other gadgets because they can transact at any time. Training related to digital entrepreneurship is needed. (Elia et al., 2020; Martinez et al., 2018).

The Role of Digital Knowledge, Digital Skills, Management Commitment, and Government Support

In today's digital era, knowledge management related to digital technology is very important to increase competitive advantage. The digital era requires strong digital knowledge and digital competencies. This is because the level of competition outside the organization is getting tighter and demands a strong digital innovation advantage. Organizations will be able to survive in the long term when they are able to utilize 'intangible assets' such as knowledge, especially 'digital knowledge'. (Hendrawan, 2020). Hendrawan (2020) adds that knowledge management is 'a series of strategic and systematic approaches to managing knowledge, from creation, organization or mapping, utilization, transfer, dissemination, preservation, to evaluation'. The knowledge in question consists of both tacit and explicit types of knowledge. Relating to digital technology means that organizations should make digital knowledge a strategy used to manage digital knowledge that serves to create competitive advantages and improve organizational performance in a sustainable manner. Nawawi (2012) said that the type of knowledge is not only tacit knowledge and explicit knowledge but also intellectual capital. Tacit knowledge is knowledge that is located in the brain or inherent in a person and is acquired through experience and work. Explicit knowledge is any form of knowledge that has been recorded and documented so that it is easier to distribute and manage. Furthermore, intellectual capital is knowledge that transforms raw materials and makes them valuable, which consists of human capital, structural capital and costume capital. Research results from Braun (2001) has explained the importance of knowledge and innovation flows that are embedded in and connected to communities of practice and technology. SMEs in Australia have the potential to collaborate and compete by utilizing knowledge platforms built on digital technologies and new relationships. Braun (2001) suggested that fostering a culture of connectivity and trust among SMEs to initiate knowledge exchange could offer a potential solution to the possible loss of competitive advantage for SMEs in the digital economy.

Mack et al. (2002) added that the role of digital knowledge on employees can help their tasks in carrying out dailywork including information collection of documents that have been distributed, data indexing, text search and categorization, and new functions in the future. In essence, digital knowledge means that SMEs can capture the knowledge and expertise they have digitally while they do their work and make it possible for them to interact with a wider community. Digital technology is useful when SMEs can optimize their digital potential and capabilities. Consumers today also generally prefer convenience and speed in transactions. They currently

have gadgets because they are able to transact at any time. Training related to digital entrepreneurship is needed (Elia et al. 2020; Martinez et al. 2018; Yaghoubi et al., 2012). A person's digital skills are important for improving work performance and development in an organization. When digital skills are lacking, they must be supported by a comfortable work environment and high levels of commitment from managers. (Jarad & Shaalan, 2022). Importantly, in the context of SMEs in developing countries the findings from the Thong & Yap (1995; Muafi, 2012; Muafi et al., 2012) explains that management commitment has a direct impact on IT usage. This result is supported by Ghobakhloo, et al. (2011; Kwahk, 2006). Furthermore Steinlechner *et al.* (2021) added that to assess digital skills, the digital competency model (DigiCoM) can be used, which consists of 49 attributes that can consider the digital competencies needed for direct value creation for the organization. In the Indonesian context, the findings Baharrudin et al. (2021) found that digital competencies did not make a significant contribution to HR performance. This condition occurred at the time of the establishment of WFH by the government in Indonesia. While Marguna & Sangiasseri (2020) instead, they found that digital competence was able to make a significant contribution to the performance of Hasanuddin University Library employees in Indonesia. Huu et al. (2022) added that the digital competence of the company should be evaluated as a significant feedback for improving business digital performance for future generations. After the Covid-19 pandemic, creative SMEs still need support from the government for the adoption of digital entrepreneurship. The participation of the government can help to promote and support the SME network. (Muafi et al., 2021; Nakku et al., 2020; Alam & Noor, 2009), can also encourage the use of e-commerce for MSMEs (Xu et al., 2004).

Methods

This research was conducted on batik SME owners/managers in Cirebon Regency who focus on producing hand-written batik with natural coloring. Cirebon Regency has a natural color batik village called Ciwaringin Batik Village. The natural-color batik SMEs in Ciwaringin are members of "Koperasi Serba Usaha Anugerah Batik". This type of research uses a qualitative approach where data collection is done by interviewing 3 SMEs (P1), 2 customers (P2) and 1 from the government (P3) as key participants. These key participants served as key sources for data exploration and data analysis. The participants are currently very hopeful and supportive of entrepreneurial digitalization training. This training is needed because they realize the importance of digital technology in the current era. Specific questions were directed at the obstacles encountered during the training, both those that have been implemented and those that will be implemented. Testing the validity and reliability of the questionnaire through triangulation of sources from; SMEs, customers and government officials. This is in accordance with the requirements of the credibility and reliability of qualitative research. (Yin, 2009), Eisenhardt & Eisenhardt, 2018).

Results and Discussion

This research aims to identify the obstacles faced by batik SMEs in Ciwaringin in digital entrepreneur training,

both those that have been implemented and those that will be implemented. This aspect is important to research and analyze because they are faced with very volatile situations and conditions, especially in the digital world. Currently, whether we want it or not, like it or not, all elements of society cannot be separated from digital technology. All users or consumers today must use information technology media where they can easily and quickly access WhatsApp, Facebook, email, and Instagram at any time. The population of Indonesia that spreads to various islands is a great opportunity for Ciwaringin Batik SMEs to promote their products. Moreover, when they master English well and fluently, they will have a high level of confidence to transact business with the global community. So far, the Batik SMEs in Ciwaringin have received training, one of which is digital entrepreneurship training, from universities and the government. After being asked questions related to the constraints faced, they identified these constraints in accordance with the order of priority, including the importance of roles, digital knowledge, digital skills, management commitment, and government support. The research has also conducted interviews, with the results of the interviews captured as follows:

Interviewee 1 (P1)

"So far we have been given training from the government.... of course, we are very happy...we realize that we do not have higher education so sometimes it is difficult for us to follow...but we are enthusiastic..."

Interviewee 3 (P1)

"Our expertise in digital technology is still very weak.... this is because we have been focusing on batik production...we would like to be assisted by university students to handle our promotional media.... because we are already overwhelmed to serve our regular customers..."

Interviewee 1 (P2)

"I actually really want to transact through IG or WhatsApp with consumers....but sometimes I find it difficult to continue...I really need assistance even though I have been trained."

Interviewee 2 (P2)

"I happen to be a lover of Ciwaringin batik...because of its distinctive patterns and natural colors...besides I really respect and appreciate their efforts...they have a high commitment to maintain natural color batik...even though the price is expensive I still buy it...because I like it...only they need to continue to maintain that commitment...because it is one of their strengths...now they have to learn IT because it is important..."

Interviewee 3 (P3)

"We, the government, have tried to facilitate them by providing various kinds of training...including digital entrepreneurship training.... they are very enthusiastic and have begun to realize its usefulness."

The results of these interviews are also supported by the results of open interviews with participants as outlined in Table 1.

Table 1. Identification of constraints and their impacts

Prioritization of constraints and expectations	Conditions	Impact
<p><i>Digital knowledge</i></p> <ul style="list-style-type: none"> - Weak knowledge related to digital technology because SMEs only use it for internet access, viewing videos and movies, and other unproductive things. - Lack of digitalization in product design to product marketing. 	*****	<p>Strengthening digital business processes</p> <p>Strengthening digital entrepreneurship</p> <p>Increased digital technology-based promotion</p> <p>Reputation enhancement</p> <p>Increased competitive advantage</p> <p>Sustainable improvement of SME performance</p>
<p><i>Digital skills</i></p> <ul style="list-style-type: none"> - Lack of digital skills/competence - Limited human resources and mostly production-focused 	****	<p>Strengthening digital business processes</p> <p>Strengthening digital entrepreneurship</p> <p>Increased digital technology-based promotion</p> <p>Reputation enhancement</p> <p>Increased competitive advantage</p> <p>Sustainable improvement of SME performance</p>
<p><i>Management Commitment</i></p> <ul style="list-style-type: none"> - Too focused on production and less focused on marketing aspects - The need for Ciwaringin batik SMEs to take the time to learn more intensely and focus on digital entrepreneurship. - The need for involvement in affective commitment and sustainability in addition to cognitive commitment. 	***	<p>Strengthening digital business processes</p> <p>Strengthening digital entrepreneurship</p> <p>Increased digital technology-based promotion</p> <p>Reputation enhancement</p> <p>Increased competitive advantage</p> <p>Sustainable improvement of SME performance</p>
<p><i>Government support</i></p> <ul style="list-style-type: none"> - There is a need for regular and intensive government support related to digital entrepreneurship. - Government support can be financial and non-financial, including mentoring. 	**	<p>Strengthening digital business processes</p> <p>Strengthening digital entrepreneurship</p> <p>Increased digital technology-based promotion</p> <p>Reputation enhancement</p> <p>Increased competitive advantage</p> <p>Sustainable improvement of SME performance</p>

Note: ***** = very very priority; **** = very priority, *** = priority, ** = low priority

Conclusion

This research concludes that Ciwaringin Batik SMEs are very enthusiastic when training that includes digital entrepreneurship is held. But they were constrained by various reasons. The researcher identified, on a consecutive priority scale, among others: (1) digital knowledge, (2) digital skills, (3) management commitment, and (4) government support. These constraints can be overcome when they are given regular and periodic training. It seems that support from the government is a top priority, both financially and non-financially. Likewise, the participation of universities is also highly expected.

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